

J.J. Newberry Co. 1970 Annual Report

746 MERCHANDIZING UNITS THROUGHOUT THE UNITED STATES & CANADA

ALABAMA 7 BIRMINGHAM ● DOTHAN ● HUNTSVILLE ● OXFORD ● ARIZONA 6 DOUGLAS ● MESA ● PHOENIX ●
ARKANSAS 1 HOT SPRINGS ● CALIFORNIA 95 ANAHEIM ● ALHAMBRA ● BAKERSFIELD ● BELL ● BEVERLY HILLS ● BRAWLEY ●
BUENA PARK ● BURBANK ● COMPTON ● CORONA ● CULVER CITY ● DOWNEY ● ESCONDIDO ● FRESNO ● GARDEN
GROVE ● GLENORA ● GRANADA HILLS ● HOLLYWOOD ● HUNTINGTON PARK ● INDIO ● INGLEWOOD ● LA HABRA ● LA
MIRADA ● LONG BEACH ● LOS ANGELES ● MERCED ● MILLBRAE ● MONTEREY PARK ● NEW
HALL ● NORWALK ● OAKLAND ● ONTARIO ● PALOS VERDES ● POMONA ● PORTERVILLE ● REDONDO BEACH ● RESEDA ●
ROSEMEAD ● SALINAS ● SAUGUS ● SAN DIEGO ● SAN FRANCISCO ● SAN JOSE ● SAN MATEO ● SAN PABLO ● SAN PEDRO ●
SANTA ANA ● SANTA BARBARA ● SANTA MONICA ● STOCKTON ● SUNLAND ● SUNNYVALE ● THOUSAND OAKS ● TORRANCE ●
TUJUNGA ● VALENCIA ● VALLEJO ● VAN JUYS ● VENTURA ● VISALIA ● W. COVINA ● WHITTIER ● COLORADO 19 ALAMOSA ●
ARVADA ● AURORA ● CRAIG ● DELTA ● DENVER ● FLORENCE ● FORT COLLINS ● GLENWOOD SPRINGS ● GOLDEN ●
GRAND JUNCTION ● GREELEY ● MONTE VISTA ● PUEBLO ● ROCKY FORD ● STERLING ● CONNECTICUT 2 HARTFORD ●
TORRINGTON ● FLORIDA 11 BRADENTON ● DEERFIELD BEACH ● FT. LAUDERDALE ● FORT MEYERS ● LAUDERDALE BY THE
SEA ● NAPLES ● PENSACOLA ● TALLAHASSEE ● TARPON SPRINGS ● GEORGIA 3 ATLANTA ● COLUMBUS ● MACON ● IDAHO 5
BOISE ● IDAHO FALLS ● LEWISTON ● POCATELLO ● TWIN FALLS ● ILLINOIS 7 COLLINSVILLE ● GRANITE CITY ● LITCHFIELD ●
MACOMB ● MELROSE PARK ● ROCK ISLAND ● WEST FRANKFORT ● INDIANA 12 AUBURN ● DECATUR ● EAST CHICAGO ●
GOSHEN ● HAMMON ● HARTFORD CITY ● INDIANA HARBOR ● JASPER ● MARION ● MARTINSVILLE ● MUNCIE ● WHITING ●
IOWA 8 CARROLL ● DENNISON ● DUBUQUE ● GLENWOOD ● MARSHALL TOWN ● MASON CITY ● MUSCATINE ● STORM LAKE ●
KANSAS 3 COFFEYVILLE ● MARYSVILLE ● PARSONS ● KENTUCKY 25 BARDSTOWN ● BOWLING GREEN ● CENTRAL CITY ●
CORBIN ● CYNTHIANA ● DANVILLE ● ELIZABETHTOWN ● GLASGOW ● HARLAN ● HARRODSBURG ● HAZARD ● HENDERSON ●
LEBANON ● LOUISVILLE ● MAYFIELD ● MT. STERLING ● OWENSBORO ● PARIS ● PINEVILLE ● RICHMOND ● SOMERSET ●
WINCHESTER ● MAINE 18 BRUNSWICK ● CALAIS ● CARIBOU ● DOVER-FOXCRAFT ● EASTPORT ● ELLSWORTH ● FARMINGTON ●
FORT KENT ● LINCOLN ● MADAWASKA ● MARS HILL ● MILLINOCKET ● NORWAY ● PRESQUE ISLE ● ROCKLAND ● RUMFORD ●
VAN BUREN ● MARYLAND 9 ANNAPOLIS ● BEL AIRE ● BRUNSWICK ● BOWIE ● ELKTON ● HAGERSTOWN ● LUTHERVILLE ●
POCOMOKE CITY ● REISTERSTOWN ● MASSACHUSETTS 18 BRIDGEWATER ● CHELSEA ● FALL RIVER ● FALMOUTH ● FRANKLIN ●
GARDNER ● NEWBURYPORT ● NORTH ADAMS ● NORTH ATTLEBORO ● NORTHAMPTON ● PEABODY ● PITTSFIELD ●
STOUGHTON ● WAKEFIELD ● WESTFIELD ● WHITMAN ● MICHIGAN 7 ALMA ● CALUMET ● HOUGHTON ● ISHPeming ● IRON
RIVER ● LUDINGTON ● THREE RIVERS ● MINNESOTA 10 ALBERT LEA ● AUSTIN ● FERGUS FALLS ● MANKATO ● MARSHALL ●
MOORHEAD ● ROCHESTER ● ST. CLOUD ● WILLMAR ● WINONA ● MISSISSIPPI 4 BILOXI ● MERIDEN ● TUPELO ● MISSOURI 10
COLUMBIA ● EXCELSIOR SPGS. ● KANSAS CITY ● MAPLEWOOD ● POPLAR BLUFF ● RICHMOND HGTS. ● SKESTON ● ST. LOUIS ●
SPRINGFIELD ● MONTANA 4 BILLINGS ● GREAT FALLS ● HARDIN ● MISSOULA ● NEBRASKA 40 AINSWORTH ● ALBION ●
ALLIANCE ● AUBURN ● AURORA ● BEATRICE ● BELLEVUE ● BROKEN BOW ● CENTRAL CITY ● CHARDRON ● COLUMBUS ● DAVID
CITY ● FAIRBURY ● FALLS CITY ● GERING ● GENEVA ● GORDON ● GRAND ISLAND ● HASTINGS ● HEBRON ● HOLDREGE ●
KIMBALL ● MC COOK ● MINDEN ● NEBRASKA CITY ● NELIGH ● NORFOLK ● OGALLALA ● OMAHA ● O'NEIL ● ORD ●
RALSTON ● SIDNEY ● SUPERIOR ● TECHUMSEH ● VALENTINE ● WEST POINT ● YORK ● NEW HAMPSHIRE 8 CONCORD ●
DOVER ● FRANKLIN ● LACONIA ● LITTLETON ● PLYMOUTH ● PORTSMOUTH ● NEW JERSEY 33 ASBURY PARK ● ATLANTIC
CITY ● BERKELEY HEIGHTS ● BOONTON ● BRICKTOWN ● CALDWELL ● CHATHAM ● DOVER ● E. BRUNSWICK ● FLEMINGTON ●
FLORHAM PARK ● FREEHOLD ● HACKETTSTOWN ● HAZLET ● HOWELL ● KEYPORT ● LAKE HIAWATHA ● LONG BRANCH ●
MANAHAWKIN ● MILLVILLE ● NEW BRUNSWICK ● NEWTON ● PARAMUS ● RED BANK ● SOMERVILLE ● SPRINGFIELD ● TOMS
RIVER ● UNION ● VERONA ● VINELAND ● WILDWOOD ● NEW MEXICO 3 FARMINGTON ● LAS VEGAS ● BATON ● NEW YORK 63
ALBION ● BATAVIA ● BAYSHORE ● BINGHAMTON ● BRENTWOOD ● BROOKLYN ● BUFFALO ● CANTON ● CATSKILL ●
COBLESKILL ● COOPERSTOWN ● CORNING ● CORTLAND ● ELMIRA ● ENDICOTT ● FISHKILL ● GARDEN CITY ● GLOVERSVILLE ●
GOUVERNEUR ● HICKSVILLE ● HUDSON ● HUNTINGTON ● ITHACA ● KINGSTON ● LAKE GROVE ● LYONS ● MALONE ●
MANHASSET ● MASSENA ● MERRICK ● MIDDLETOWN ● NEW YORK CITY ● NORTHVILLE ● OGDENSBURG ●
ONEONTA ● OSSINING ● OWEGO ● PENN YAN ● PERRY ● PLAINVIEW ● SALAMANACA ● SARATOGA SPGS. ● SARANAC LAKE ●
SAUGERTIES ● TICONDEROGA ● TUPPER LAKE ● VALLEY STREAM ● WALTON ● WELLSVILLE ● WATERTOWN ●
WHITE PLAINS ● WHITEHALL ● NORTH CAROLINA 11 MONROE ● NORTH DAKOTA 7 BISMARCK ● DEVIL'S LAKE ● FARGO ● GRAND
FORKS ● MINOT ● RUGBY ● VALLEY CITY ● OHIO 17 ASHLAND ● ASHTABULA ● BRYAN ● BUCYRUS ● CAMBRIDGE ● CHILLICOTHE ●
CINCINNATI ● CLEVELAND ● CONNEAUT ● COSHOCTON ● E. PALESTINE ● FINDLAY ● MENTOR ● NEW PHILADELPHIA ●
PAINESVILLE ● TIFFIN ● WOOSTER ● OKLAHOMA 2 OKMULGEE ● SAPULPA ● OREGON 11 ASTORIA ● BEND ● EUGENE ●
MEDFORD ● PORTLAND ● ROSEBURG ● SALEM ● PENNSYLVANIA 41 BERWICK ● BRADFORD ● CARBONDALE ●
CHAMBERSBURG ● COALPORT ● COATESVILLE ● DANVILLE ● DU BOIS ● EDWARDSVILLE ● EPHRATA ● FOREST CITY ●
FREELAND ● HAZLETON ● JERSEY SHORE ● JIM THORPE ● KENNETT SQ. ● LANSFORD ● LEWISBURG ● LOCK HAVEN ●
MAHONEY CITY ● MILTON ● MT. CARMEL ● NEWPORT ● NORTHAMPTON ● OXFORD ● POTTSTOWN ● RENOV ● ROYERSFORD ●
SAYRE ● SHAMOKIN ● SHENANDOAH ● SOMERSET ● STROUDSBURG ● SUNBURY ● TAMAQUA ● TOWANDA ● WAYNEWBORO ●
WELLSBORO ● WILLIAMSPORT ● YORK ● RHODE ISLAND 3 NEWPORT ● WARRENT ● WEST WARICK ● SOUTH CAROLINA 2 AIKEN ●
CAMDEN ● SOUTH DAKOTA 21 ABERDEEN ● BELLE FOURCHE ● BROOKINGS ● CHAMBERLAIN ● HURON ● LEAD ● MITCHELL ●
PIERRE ● RAPID CITY ● SIOUX FALLS ● STURGIS ● VERMILION ● WATERTOWN ● WINNER ● YANKTON ● TENNESSEE 2
GALLATIN ● JELICO ● TEXAS 9 AUSTIN ● BEAUMONT ● BRYAN ● EAGLE PASS ● EL PASO ● HOUSTON ● TEXARKANA ●
VERMONT 7 BARRE ● BELLOW FALLS ● NEWPORT ● SPRINGFIELD ● WHITE RIVER ● WHITE RIVER JUNC. ● WINDSOR ● VIRGINIA 9
CULPEPER ● FREDERICKSBURG ● FRONT ROYAL ● LEXINGTON ● SALEM ● SOUTH BOSTON ● WAYNESBORO ● WINCHESTER ●
WYTHVILLE ● WASHINGTON 12 BELLEVUE ● BELLINGHAM ● EVERETT ● LONGVIEW ● RENTON ● RICHLAND ● SEATTLE ●
SPOKANE ● WALLA WALLA ● YAKIMA ● WEST VIRGINIA 1 CHARLES TOWN ● WISCONSIN 7 APPLETON ● BELOIT ● EAU CLAIRE ●
STEVENSPOINT ● SUPERIOR ● WAUSAU ● WYOMING 7 BUFFALO ● DOUGLAS ● GILLETTE ● LARAMIE ● NEWCASTLE ● ROCK
SPRINGS ● WHEATLAND ● ALBERTA 37 CAMROSE ● EDMONTON ● CHILLIWACK ● CORTENAY ● CRANBROOK ● DAWSON CREEK ●
DELTA ● FT. ST. JAMES ● FT. ST. JOHN ● GOLD RIVER ● GRAND FORKS ● HANEY ● KAMLOOPS ● KELLOWNA ● KITIMAT ●
LANGLEY ● MERRITT ● NANAIMO ● NELSON ● NEW WESTMINSTER ● NORTH BURNABY ● NORTH DELTA ● NORTH SURREY ●
NORTH VANCOUVER ● OCEAN FALLS ● 100 MILE HOUSE ● PENITENTIATION ● POWELL RIVER ● PRINCE GEORGE ● PRINCE
RUPERT ● PORT ALBERNI ● QUESNEL ● RICHMOND ● SMITHER ● SOUTH BURNABY ● TERRACE ● TRAIL ●
VANCOUVER ● VERNON ● VICTORIA ● WEST VANCOUVER ● WHITE ROCK ● WILLIAMS LAKE ●
NEW BRUNSWICK 1 SAINT JOHN ● ONTARIO 3 CORNWALL ● OTTAWA ● SARNIA ● QUEBEC 44 CHARLESBOURG ● CHATEAUGUAY ●
CHICOUTIMI ● CHOMEDEY ● COTE ST. LUC ● DORVAL ● DRUMMONDVILLE ● GREENFIELD PARK ● JACQUES CARTIER ●
JOLIETTE ● JONQUIERE ● LACHINE ● LAVAL ● LANGUEUIL ● MONTREAL ● MOUNT ROYAL ● PIERREFONDS ● POINTE
CLAIRE ● QUEBEC ● RIMOUSKI ● SHERBROOKE ● SOREL ● ST. EUSTACHE ● ST. HYACINTHE ● ST. JEAN ● ST. LAURENT ●
STE. FOY ● THREE RIVERS ● VAL D'OR ● VALLEYFIELD ● VERDUN ● VILLE D'ANJOU ●

Newberry's Organization of Consumer Services

		Britts <i>Full line department stores</i>	33			Lee's <i>Discount Store</i>	1
		Taylors <i>Ladies' dress shop</i>	1		<hr/>		
		Britts Department Store Division	34			Lee's Discount Store Division	1
		Newberrys <i>Department stores</i>	180			Maternally Yours <i>Maternity Fashion shops</i>	15
		Hesteds <i>Department stores</i>	11			Tradelhome Shoes <i>Family Shoe Stores</i>	32
		Lee's <i>Department stores</i>	1		<hr/>		
		Newberry Department Store Division	192			Subsidiaries	47
		Newberrys <i>Variety stores</i>	201			United Stores <i>Department and variety stores</i>	27
		Hesteds <i>Variety stores</i>	45			Sweet Sixteen <i>Women's specialty shops</i>	69
		Lee's <i>Variety stores</i>	18			McArthur's Ladies Wear <i>Ladies Wear</i>	7
		Newberry Variety Store Division	264			<i>Ladies Wear</i>	
		Wm. Tally House <i>Free standing restaurants and cafeterias</i>	14			Albertinos' Shoes <i>Family Shoe Stores</i>	8
						Harrison's Fabrics <i>Drapery and Fabric shops</i>	24
		Holland House <i>Free standing restaurants and cafeterias</i>	6			Gault <i>Manufacturers, Wholesale and Variety Stores</i>	16
		Free Standing Restaurants & Cafeterias	20				
		Fabric Shops	33			Britts <i>Full line department stores</i>	4
		Newberry Fabric Shops Division	33		<hr/>		
						Total Canada	155
						Grand Total	746



Comparative Highlights

	1970‡	1969‡
Sales	\$414,558,000	\$395,157,000
Net Income	\$ 3,030,000	\$ 5,073,000
Earnings Per Common Share:		
Primary:		
Income from United States Operations	\$2.03	\$2.97
Loss from Continuing Canadian Operations	\$1.14	\$.31
Loss from Canadian Operations to be Discontinued	\$.45	\$.26
Extraordinary Items, net	\$.93	
Net Income	\$1.37	\$2.40
Fully Diluted:		
Income before Extraordinary Items	\$.52	\$2.25
Extraordinary Items, net	\$.77	
Net Income	\$1.29	\$2.25
Dividends per Common Share	\$1.00	\$1.00
Depreciation and Amortization	\$ 4,912,000	\$ 4,453,000
Working Capital	\$ 56,933,000	\$ 66,423,000
Current Ratio	1.8 to 1	2.5 to 1
Common Stockholders' Equity	\$ 76,539,000	\$ 75,850,000
Book Value per Common Share	\$39.39	\$38.61
Number of Units at Year-end:		
United States	591	562
Canada	155	121

‡Years which end January 31st of the subsequent year.

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The common and preferred stocks of J. J. Newberry Co. are listed on the New York Stock Exchange.

The annual meeting of stockholders will be held at the Prince George Hotel (28th Street east of 5th Avenue) New York City at 11 A.M. on Tuesday, June 8, 1971.

To Our Shareholders:

During the fiscal year ended January 31, 1971, 62 new units were opened, which is the principal reason sales rose to a record high of \$414,558,000.

Earnings for the year were adversely affected by economic conditions, high interest rates, customer attitudes, and new unit start-up costs, but principally by heavy losses sustained by our Canadian operations.

The impact of economic conditions and consumer attitudes on fiscal 1971 earnings cannot be accurately measured, but they were important factors.

New unit start-up costs were far greater than in past years. Yet, these carefully planned expenditures — charged to fiscal 1971 earnings — were necessary to generate future profits.

The high cost of money also had an adverse impact in earnings, but recent reductions in the interest rates should benefit the company during the current year.

For the fiscal year ended January 31, 1971, net profits from United States operations amounted to \$2.03 per share. These profits were reduced by \$1.59 per share because of the losses sustained in Canada. Extraordinary items amounted to \$.93 a share, providing a total Net Income of \$1.37 a share.

The Canadian operations have recently been reorganized, in response to the many and varied problems encountered.

- The sixty-unit Oslind Shoppe chain, long a drain on earnings, was phased out resulting in a write-off of \$425,000. This action, in the opinion of your management, was necessary. It gives us the opportunity to concentrate on areas which provide a base for future profits.

- Robert W. Conley, who was appointed the new president of J. J. Newberry Canadian Ltd., is also a principal executive of the parent company. He can call upon the management team in the United States to provide valuable assistance to the Canadians heading the various divisions. Through such cooperative efforts we hope to eliminate deficits and ultimately get a good return on our Canadian investments.

Internal Expansion

At the beginning of 1970, J. J. Newberry Co. operated 683 units in the United States and Canada, exclusive of the Oslind Shoppes chain. During the year we added 62 units — 18 through the acquisition of Gault Brothers Ltd., which operates Columbia stores in Western Canada. Additionally, 14 units were refurbished and modernized. On the other hand, excluding the Oslind phase-out, 17 old unprofitable stores were closed.

New units opened in 1970 were principally in shopping centers. The 39 in the United States included 8 Britts Department Stores, 3 Newberry Department Stores, 2 Newberry Variety Stores, 18 Fabric Shops, 2 Maternally Yours Shops, 2 Tradehome Shoe Stores and 3 free-standing restaurants.

The company also opened a Lee's Discount Store, which is located in Aiken, South Carolina. This store, described in more detail on page 4 of this report, is the first of three units that are planned for our newly created Lee's Discount Department Store Division. It is being operated autonomously within the Newberry organization. We hope to expand this division as the planned units demonstrate profitability.

Dividends

During the fiscal year ended January 31, 1971, your Board of Directors declared four regular quarterly dividends of 25 cents per common share, or a total of one dollar for the year. This is the same amount paid during the prior fiscal year.

In addition, the Board declared regular quarterly dividends on preferred shares.

Executive Promotions

On December 23, 1970, the executive structure of your Company was strengthened by the following new appointments:

Daryl D. Milius, formerly executive vice president was named president of J. J. Newberry Co. He filled the post which Walter C. Straus temporarily assumed in 1969 when Dean S. Campbell resigned for reasons of health.

Mr. Milius will be the chief operating officer of the Company. Mr. Straus, as chairman and chief executive officer, will continue to be responsible for all matters of corporate policy, including future expansion and development programs.

William J. O'Brien was named executive vice president — operations, a newly created post. He was formerly vice president in charge of real estate.

Farr J. Porter was named executive vice president — merchandising, also a newly created post. He was formerly vice president — merchandising and sales promotion.

James A. Heely was named financial vice president. He was formerly vice president and controller.

Newberry Looks Ahead

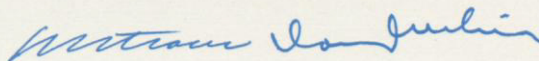
The management of J. J. Newberry Co. feels that the fiscal 1971 setback is only temporary, and is confident that the Company will resume its profitable growth. There are many reasons for this optimism:

- Economic uncertainties seem to be diminishing and consumer confidence is becoming somewhat stronger.
- We replaced our Woodside Distribution Center with three new ones. The first is in Albany, New York, the second in Harrisburg, Pa., and the third, a fashion distribution center, in Jersey City, N.J. These new centers — more strategically located than the old one — should be of considerable benefit in more profitably merchandising our stores.

- Our 1971 expansion program—contingent upon real estate developers meeting construction schedules on time — calls for the opening of 21 units, including Britts and Newberry Department Stores, Fabric Shops, Food Services, and Maternally Yours Shops.
- The marketing department, created last year, is now providing significant information relating to consumer and merchandising trends.
- Our buying and merchandising division, in conjunction with the marketing department, is formulating a new basis for our merchandising techniques. These techniques, we feel, should materially increase sales and earnings.
- Greater emphasis has been placed on cost control in all areas of our business. At the same time, we are making certain that this will not affect the quality of service to our customers.
- Our food operations continue to have a bright future.
- New techniques have been developed in overall profit planning.
- We are re-evaluating the use of our capital and considering redeployment into new avenues, which could effectively improve the profitability of all our units.

We feel that we have assembled a strong management team. We wish to thank all members of that team, as well as the additional thousands of men and women associated with J. J. Newberry Co., for their efforts and loyalty. Their dedication and enthusiasm are greatly appreciated.

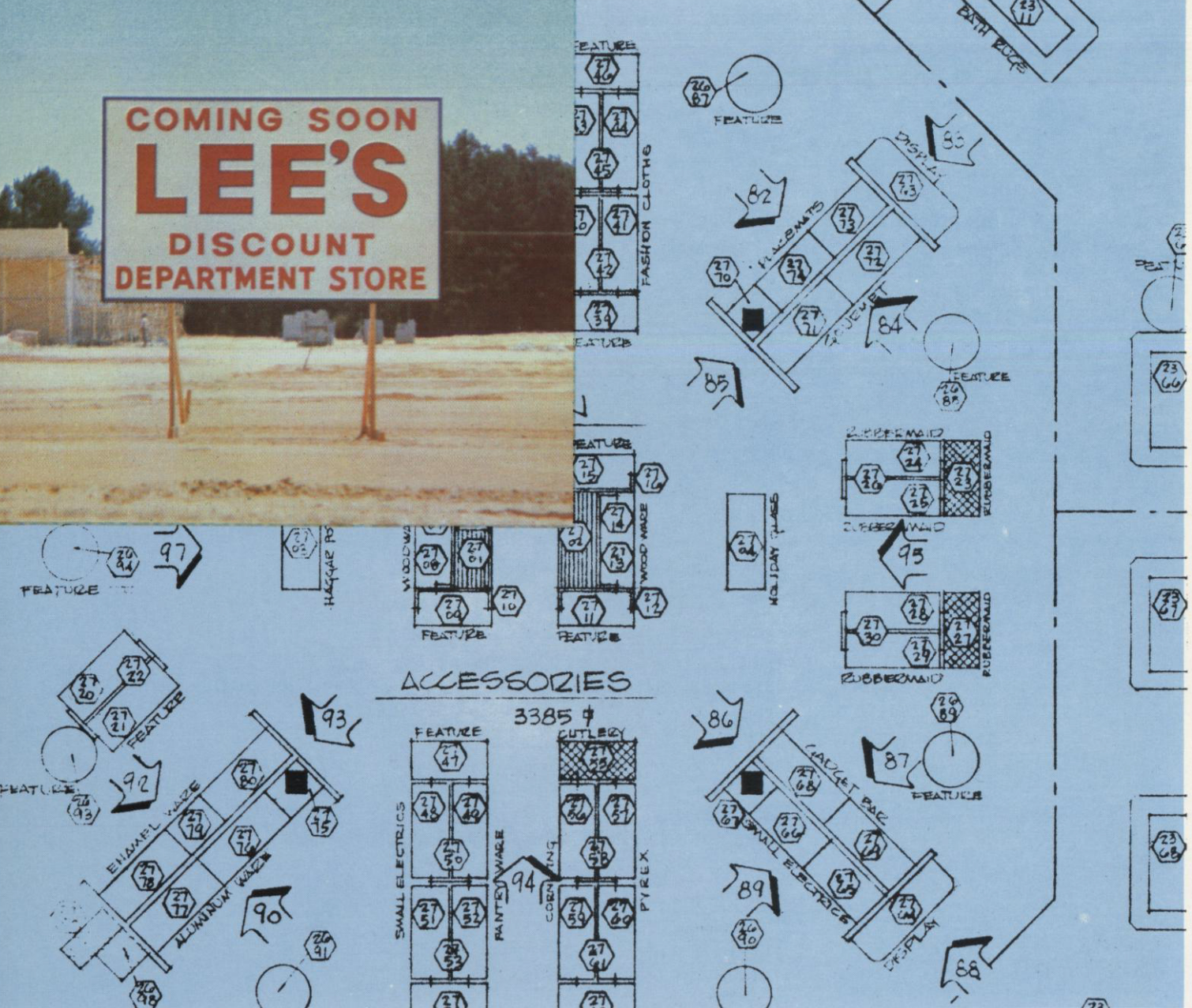
Respectfully submitted,



WALTER C. STRAUS
CHAIRMAN

DARYL D. MILIUS
PRESIDENT

April 15, 1971



A Store Opens At Newberrys

In 1970, Newberry's expansion program was continued with thirty-nine new stores opened principally in shopping centers throughout the United States.

A typical opening ceremony features the symbolic ribbon cutting by a pretty Miss and welcoming speeches by local dignitaries and Company officials. The doors of a new store open, people crowd in to look and buy, and shining cash registers begin to ring up sales.

Everything runs so smoothly that one could easily be deceived into thinking that the birth of a Newberry store is a simple matter. Far from it. It is the

result of highly organized, highly skilled planning which utilizes the most sophisticated computerized concepts and engineering techniques. Last but not least, Newberry people, working together toward a common goal, make possible the success of each new venture.

Obviously, the choice of a site is the initial step in planning for a new store. Usually, the first contact is between a local developer and our corporate real estate division. A detailed plan and complete information about the potential site are submitted and reviewed. The precise specifications of the unit which our architects ultimately design depends upon population, average disposable income of local



residents, and many other factors such as traffic patterns, parking facilities and competition.

Interestingly, densely populated sites are not always chosen. Those with a significant growth potential are also eagerly sought.

In the case of the recently opened Lee's Discount Department Store in Aiken, South Carolina, (the first of a cluster of such stores planned for smaller towns and cities) it appears certain that an ideal area has been chosen for the first discount operation. Customers will be drawn from Aiken and adjacent towns

by a combination of traditional merchandise, discount pricing and a deliberate appeal to the young by the unusual use of color and design.

As in many of our newer units, brilliant colors are featured and large styrofoam cutouts illustrate the location of merchandise sold. Each department sings with brightness, "swings" with the contemporary look of youth.

In contrast, recently opened Britts stores tend more toward the exclusive-looking boutique concept. Elegant panels, which quietly define the merchandise areas, create the department store look, with carpeting used extensively throughout the unit.

All recent units provide food service facilities within the store. The decor, menu and service are standardized throughout the country, and they enjoy a fine reputation for good food at reasonable prices. Free-standing restaurants, (those not located within a store) known as "Wm. Tally House" in the East and "Holland House" in the West, have more elaborate menus which are compatible with local tastes.



Merchandising

After the type, size and interior arrangement of a store are determined, corporate and divisional merchandising personnel, guided by research, experience and knowledge of particular local needs, decide upon the merchandise mix and depth of inventory.

Any store about to open is invariably filled with excitement. Half-empty cartons are piled in the aisles, the manager sees to it that all merchandise has been received, is checked and ready for sale. Sales personnel — many local residents and some recruited tempo-

rarily from other Newberry stores — are given their final instructions. The cash registers go through a trial run, and the inventory computer stands ready to do its complex job. The excitement mounts. Work goes on round the clock inside and outside the store. Local newspapers carry feature articles and advertisements about the unit being opened. Circulars and publicity reach the customers several days before the opening.

Despite the tensions of limited time and plain fatigue, there is a comfort in knowing that every significant aspect connected with opening and running the store is assured.

Within twenty-four hours after the first sale is made, a great deal of information is available with respect to the kinds and quantities of items sold. The manager and buyers constantly monitor the information available and make whatever adjustments are necessary in order to bring the overall operation into the best possible balance.

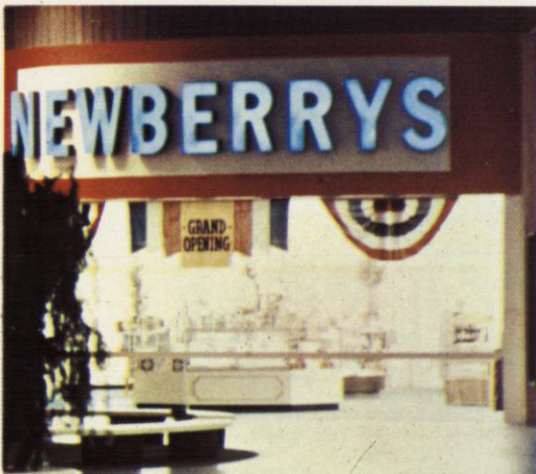
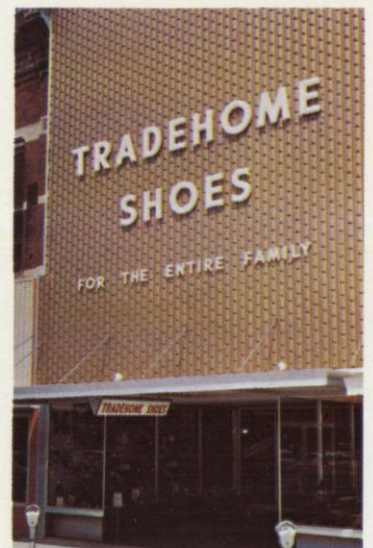


People

As the store opens, a self-confident calm sets in. Everyone is ready for the ribbon cutting and the welcoming speeches. A marvelous amalgam of people, planning, and machines makes possible the opening of another unit in the expanding Newberry complex.

J. J. Newberry Co. at age 61 is a young but ever-growing company. It is our dedicated people — the heart of our organization — who make that possible.





Growth

In addition to Britts, Lee's Discount and Newberry Department stores, pictured here are some of the representative units opened during 1970.



Consolidated Statements of Income and Retained Earnings

Years Ended January 31

**J. J. Newberry Co.
and Subsidiaries**

	1971	1970 (Note 2)
Net sales	\$414,558,304	\$395,156,981
Costs of merchandise sold, including occupancy and buying costs	289,860,310	275,457,514
	124,697,994	119,699,467
Selling and general expenses	115,319,147	105,154,950
Operating income	9,378,847	14,544,517
Interest expense	3,567,244	2,832,896
	5,811,603	11,711,621
Loss from Canadian operations to be sold or discontinued (Note 2)	878,257	508,392
Income before provision for federal income taxes and extraordinary items	4,933,346	11,203,229
Provision for federal income taxes (Note 1):		
Currently payable	3,015,000	4,920,000
Deferred, net	710,000	1,210,000
	3,725,000	6,130,000
Income before extraordinary items	1,208,346	
Extraordinary items (Notes 2 and 3):		
Gain from sale of leasehold interest in a domestic warehousing facility, net of applicable income taxes of \$770,000	2,247,000	
Provision for losses in connection with the discontinuance of opera- tions and the sale of certain assets of a wholly-owned Canadian subsidiary, net of applicable income tax effect of \$390,000	425,000	
	1,822,000	
Net income for year (Note 1)	3,030,346	5,073,229
Retained earnings, beginning of year	62,186,889	59,433,067
	65,217,235	64,506,296
Cash Dividends:		
Preferred stock, \$3.75 per share	338,756	355,209
Common stock, \$1.00 per share	1,960,238	1,964,198
	2,298,994	2,319,407
Retained earnings, end of year	\$ 62,918,241	\$ 62,186,889
Earnings per common share (Note 4):		
Primary:		
Income before extraordinary items	\$.44	\$2.40
Extraordinary items93	
Net income	\$1.37	\$2.40
Fully diluted:		
Income before extraordinary items	\$.52	\$2.25
Extraordinary items77	
Net income	\$1.29	\$2.25

Depreciation and amortization of improvements to leased premises charged against income in the years ended January 31, 1971 and 1970 amounted to \$4,912,000 and \$4,453,000, respectively.

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheets

at January 31

ASSETS:

Current Assets:

	<u>1971</u>	<u>1970</u>
Cash	\$ 7,216,700	\$ 12,193,851
U.S. Treasury bills, at cost plus accrued interest	200,112	7,172,054
Accounts receivable:		
Customers, including equity of \$1,042,463 and \$1,071,188, respectively, in accounts sold	8,365,186	6,261,448
Receivable from sale of leasehold interest (Note 3)	4,000,000	
Other	2,049,847	3,234,399
	<u>14,415,033</u>	<u>9,495,847</u>
Less, Allowance for doubtful accounts	912,000	769,000
	<u>13,503,033</u>	<u>8,726,847</u>
Merchandise on hand and in transit, at lower of cost (principally retail method) or market	102,572,655	81,435,899
Prepaid expenses	2,407,390	2,358,926
Total Current Assets	<u>125,899,890</u>	<u>111,887,577</u>

Property and Equipment, at Cost:

Land	3,051,404	2,324,804
Buildings and improvements	5,775,177	5,328,292
Fixtures and equipment	55,470,446	48,103,202
Improvements to leased premises	33,237,396	29,770,966
	<u>97,534,423</u>	<u>85,527,264</u>
Less, Allowance for depreciation and amortization	43,110,407	39,287,369
	<u>54,424,016</u>	<u>46,239,895</u>

Deferred Income Tax Reductions, net (Note 5) 32,000

Deferred Charges and Other Assets 3,478,844 3,303,236

Excess of Investment in Subsidiaries

Over Net Assets Acquired	5,938,000	5,931,000
	<u>\$189,740,750</u>	<u>\$167,393,708</u>

The accompanying notes are an integral part of the financial statements.

**J. J. Newberry Co.
and Subsidiaries**

LIABILITIES:

Current Liabilities:

	<u>1971</u>	<u>1970</u>
Canadian bank advances	\$ 4,911,193	\$ 2,321,755
Accounts payable and accrued liabilities	58,897,939	37,444,911
Current instalments on long-term debt (Note 6)	1,580,837	1,579,062
Reserve for store closing program (Note 7)	500,000	475,000
Federal income taxes	2,435,000	2,837,000
Deferred federal income taxes (Note 5)	642,000	807,000
Total Current Liabilities	<u>68,966,969</u>	<u>45,464,728</u>
Deferred Federal Income Taxes (Note 5)	678,000	
Long-Term Debt (Note 6)	25,371,617	26,952,454
Reserve for Store Closing Program (Note 7)	6,339,000	6,912,000
Other Long-Term Liabilities	2,933,975	2,814,527

STOCKHOLDERS' EQUITY:

Capital Stock (Notes 8 and 9):

Cumulative preferred stock, par value \$100 per share; authorized, 119,000 shares, issuable in series; issued and outstanding, 89,120 shares, 3¾ % series (redeemable at \$101.50 per share, plus accrued dividends)	8,912,000	9,400,000
Common stock, no par value; authorized, 5,000,000 shares; issued, 2,017,020 shares	14,165,437	13,923,971
Retained Earnings (Note 6)	<u>62,918,241</u>	<u>62,186,889</u>
	85,995,678	85,510,860
Less, 73,874 shares of common stock held in treasury, at cost	<u>544,489</u>	<u>260,861</u>
	<u>85,451,189</u>	<u>85,249,999</u>
	<u>\$189,740,750</u>	<u>\$167,393,708</u>

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

J. J. Newberry Co. and Subsidiaries

1. The accompanying financial statements include the accounts of the Company and all subsidiaries, including the following Canadian subsidiaries—United Stores of Canada, Limited, Oslind Shoppes Limited, Sweet Sixteen, Ltd., Mc Arthur's Ladies Wear Ltd., Harrison's Famous Fabrics Ltd. and Albertino's Shoes Ltd.—acquired as of April 1, 1967, February 1, 1968, August 1, 1968, February 1, 1969, July 1, 1969 and September 1, 1969, respectively. Two additional Canadian subsidiaries—Gault Brothers Limited and Sterling Shoes Ltd.—were acquired as of February 1, 1970. In addition, two domestic subsidiaries—Tradehome Shoe Stores, Inc. and Maternally Yours, Inc.—were acquired as of August 1, 1969 and September 1, 1969, respectively.

The purchase agreements underlying the acquisitions of these companies provide for contingent future payments not to exceed \$5,325,000 based on earnings (as defined) for periods ending approximately three to five years from the respective dates of acquisition. At January 31, 1971, the Company has accrued or paid \$1,405,000 under these agreements based on earnings (as defined) through that date.

The sellers of three of these companies have the option of receiving cash or common stock of the Company (see Note 9).

For financial reporting purposes, all of the above acquisitions have been treated as purchases. Accordingly, the operations of these subsidiaries have been included in the consolidated statements of income from the respective dates of acquisition. In this connection, net sales and net loss of the Canadian subsidiaries (exclusive of Oslind Shoppes Limited—Note 2) aggregated \$39,917,000 and \$2,229,000, respectively, for 1971 and \$27,955,000 and \$603,000, respectively, for 1970.

With respect to certain Canadian subsidiaries, in the determination of consolidated net income for the years ended January 31, 1971 and 1970, no recognition has been given to the prospective tax benefits related to tax loss carry-forwards approximating \$2,560,000. Such tax benefits will be reflected in net income when and if realized.

At January 31, 1971, the net assets of all Canadian subsidiaries aggregated \$3,655,000.

2. The Company has entered into an agreement to sell certain assets of Oslind Shoppes Limited and will discontinue the remaining operations. Accordingly, the losses from these operations for the year ended January 31, 1971 have been reported separately, and provision has been made for the extraordinary losses related to the sale of assets and final termination of operations. The amounts previously reported in the income statement for the year ended January 31, 1970 have been correspondingly restated.
3. As of January 31, 1971, the Company sold its leasehold interest in one of its domestic warehousing facilities. The gain on this transaction, less related expenses and federal incomes taxes, has been reflected as an extraordinary item.
4. Primary net income per share was based on the average shares outstanding in the respective years. Giving effect to the prospective issuance of shares, as appropriate, under the various Company stock plans, and to the exercise of

warrants (Note 9), and to the issuance of contingent shares in connection with the acquisition of certain subsidiaries (Note 1) would either have an anti-dilutive or immaterial effect on primary net income per share. Fully diluted net income per share has been computed by giving effect to the potential conversion of the Convertible Subordinated Debentures which were issued as of August 1, 1969 (Notes 6 and 9).

5. For financial reporting purposes, on a recurring basis:
 - a) Profits from all sales are recognized at time of sale; and
 - b) Depreciation on property and equipment is provided principally on the straight-line basis.
 For tax reporting purposes, the corresponding accounting practices are to:

- a) Defer profits on certain credit sales to future periods by use of the instalment method of accounting; and
- b) Provide for depreciation by use of accelerated methods.

Accordingly, current operations are charged for income taxes deferred to future periods which are directly related to the aforementioned differences of reporting income for financial and tax purposes.

Deferred federal income taxes comprised:

	January 31, 1971	January 31, 1970
Deferred income taxes, net—		
current:		
Applicable to gross profit on instalment sales	\$ 882,000	\$1,035,000
Less, tax reduction related to store closing program (Note 7)	240,000	228,000
	<u>\$ 642,000</u>	<u>\$ 807,000</u>
Deferred income taxes, net—		
noncurrent:		
Applicable principally to the use of accelerated methods of depreciation	\$4,944,000	\$4,426,000
Less, tax reduction related to store closing program (Note 7)	3,043,000	3,318,000
Other	1,223,000	1,140,000
	<u>\$ 678,000</u>	<u>\$ (32,000)</u>

6. At January 31, 1971, long-term debt comprised:

	Current	Noncurrent	Total
Mortgages Payable	\$ 19,610	\$ 86,451	\$ 106,061
3¾ % Sinking Fund Notes, payable to May 15, 1976	500,000	4,500,000	5,000,000
3½ % Notes, payable from January, 1971 to 1975	28,227	450,166	478,393
5¼ % Subordinated Notes, payable from October, 1970 to 1981	1,033,000	10,335,000	11,368,000
6½ % Convertible Subordinated Debentures due August 1, 1994	—	10,000,000	10,000,000
	<u>\$1,580,837</u>	<u>\$25,371,617</u>	<u>\$26,952,454</u>

The mortgages bearing interest at rates of $4\frac{1}{2}\%$ and 5% , are payable in various amounts through July 1, 1976.

The sinking fund note indenture provides for annual sinking fund payments of \$500,000 through May 15, 1975, and the balance of \$2,500,000 payable on May 15, 1976. The Company has the option of making certain additional sinking fund payments annually, without premium.

Certain prepayment privileges are available to the Company with respect to the long-term notes payable which provide for declining premium payments.

As of August 1, 1969, the Company sold \$10,000,000 of $6\frac{1}{2}\%$ convertible subordinated debentures, due August 1, 1994. Unless previously redeemed, the debentures may be converted, at the option of the holder, into shares of common stock of the Company at the conversion price of \$30.00 per share. Annual sinking fund payments of \$500,000 are required in each year beginning with 1980 (subject to reduction for the principal amount of any debentures redeemed, surrendered for conversion, or otherwise acquired by the Company). The Company has the non-cumulative option of making additional sinking fund payments annually, commencing in 1975. The debentures are subject to redemption at (a) the principal amount, if redeemed through the operation of the sinking fund or (b) at any time, at the election of the Company, at amounts equal to a percentage of principal, on a declining scale, ranging from 105.75% in 1971 to 100.25% in 1988, and 100% thereafter.

The notes, supplemental agreements and debentures contain certain covenants restricting the amount of retained earnings available for the payment of cash dividends or for acquisition of the Company's capital stock. At January 31, 1971, the amount of retained earnings free of such restrictions was approximately \$9,800,000.

7. During the year ended January 31, 1967, the Company's Board of Directors authorized the adoption of a program to dispose of certain unprofitable stores in that and subsequent years. Extraordinary, nonrecurring charges incurred in connection with such store closing program are charged to the reserve previously provided for that purpose.
8. On June 11, 1968, the stockholders approved amendments to the Company's Certificate of Incorporation which provided for: (a) authorization of a new class of 1,500,000 shares of subordinate preferred stock, issuable in series with designations, rights and preferences to be fixed by the Board of Directors at the time of issuance; no shares of this class of stock have been issued; and (b) establishment of a sinking fund to be used for the purchase or redemption annually of 2,500 shares of outstanding $3\frac{3}{4}\%$ cumulative preferred stock. During the year ended January 31, 1971, the Company purchased 4,880 shares of this latter class of stock for sinking fund purposes. The excess (\$237,596) of par value over cost of the preferred stock acquired has been credited to capital surplus, which is included in the common stock account.
9. At January 31, 1971, 140,000 shares of common stock are reserved for issuance under the Company's Incentive Stock Plan. The plan provides that eligible employees may elect to defer certain portions of their compensation toward investment in the Company's common stock at prices approximating current fair market value. Additional shares are contributed by the Company to the extent of 40% of the shares purchased by participants; such additional contribution vests to the extent of 20% annually, on a cumulative basis. As of January 31, 1971, 34,334 shares were purchased by employees and 13,733 shares were contributed by the Company. All shares are generally issuable only upon retirement or termination of employment; in this connection, no shares were issued during the year ended January 31, 1971.
- At January 31, 1971, 54,765 shares of common stock are reserved for issuance under the Company's Stock Option Plan for Key Employees. The plan authorized the granting of options to key employees to purchase shares of common stock for 110% of the fair market value at the date of grant. Options expire five years from date of grant, and generally become initially exercisable two years from date of grant to the extent of 20% annually (on a cumulative basis). During the year ended January 31, 1971, there were no shares issued nor were any options cancelled. At January 31, 1971, options for 54,765 shares at \$19.94 per share are outstanding; no further options may be granted under the plan.
- At January 31, 1971, 4,141 shares of common stock are reserved for future issuance under the Incentive Stock Bonus Plan; during the year ended January 31, 1971, 175 shares were issued to eligible participants. The excess (\$3,870) of fair market value of these shares at date issued over the cost of treasury shares distributed has been credited to the common stock account.
- At January 31, 1971, 177,143 shares of common stock are reserved for warrants in connection with the $5\frac{1}{2}\%$ Subordinated Notes, expiring on October 1, 1981, to purchase common stock at a price of \$45.50 per share; no warrants were exercised during the year ended January 31, 1971.
- At January 31, 1971, 61,808 shares of common stock are reserved in connection with the acquisition of certain subsidiaries (see Note 1).
- At January 31, 1971, 333,333 shares of common stock are reserved for issuance upon conversion of the $6\frac{1}{2}\%$ Convertible Subordinated Debentures (see Note 6).
10. At January 31, 1971, the Company had long-term leases on buildings, fixtures and equipment expiring between 1975 and 2047 (without consideration of renewals). Minimum aggregate annual rentals under such leases, exclusive of realty taxes and other charges, approximate \$24,800,000. Certain of the leases provide for additional rentals based upon sales.
11. The Company and all domestic and certain Canadian subsidiaries have contributory trustee (self-administered for Canadian subsidiaries) retirement plans for all eligible employees which provide for retirement benefits based on age, earnings and length of service. Pension costs under these plans approximated \$447,000 (before income tax effect) for the year ended January 31, 1971 and \$410,000 for the year ended January 31, 1970. The Company policy is to fund pension cost accrued.

10 Year Summary Highlights

Dollar Amounts (Except Per Share Earnings and Book Values) Shown in Thousands.

Year†	1970	1969	1968	1967	1966	1965
Number of Units	746	683**	664	544	529	548
Sales	\$414,558	\$395,157**	\$376,098	\$360,318	\$353,868	\$355,667
Earnings before federal taxes	\$ 4,933	\$ 11,203	\$ 11,207	\$ 9,119	\$ 6,688	\$ 6,895
Net earnings after federal taxes (Note 1)	\$ 1,208	\$ 5,073	\$ 5,457	\$ 5,034	\$ 4,403	\$ 4,413
Net earnings per share (Notes 1 and 2) ..	\$.44	\$ 2.40	\$ 2.59	\$ 2.38	\$ 2.06	\$ 2.08
Shares of common stock outstanding	1,943,146	1,964,283	1,964,002	1,956,613	1,956,529	1,888,690
Merchandise inventories	\$102,573	\$ 81,436	\$ 85,298	\$ 80,922	\$ 72,768	\$ 77,082
Common stockholders' equity	\$ 76,539	\$ 75,850	\$ 73,035	\$ 69,165	\$ 65,678	\$ 68,328
Book value per share of common stock	\$ 39.39	\$ 38.61	\$ 37.19	\$ 35.35	\$ 33.57	\$ 35.12
Ratio of current assets to current liabilities	1.8	2.5	2.4	2.6	3.0	3.3

Note 1—Exclusive of special items, net of tax effects, amounting to a credit in 1970 of \$1,822 (\$0.93 per share); a charge in 1966 of \$6,876 (\$3.51 per share); a credit in 1964 of \$338 (\$0.18 per share); a charge in 1963 of \$2,220 (\$1.15 per share); and credits in 1962 of \$455 (\$0.24 per share) and in 1961 of \$1,206 (\$0.64 per share).

Note 2—Fully diluted earnings, giving effect to the potential conversion of the Convertible Subordinated Debentures which were issued as of August 1, 1969, amounts to \$0.52 per common share in 1970 and \$2.25 in 1969.

*Indicates loss.

**Restated to exclude certain Canadian operations to be sold or discontinued.

†1965 through 1970 are years ended January 31st of the subsequent year; 1961 through 1964 are years ended December 31st.

**J. J. Newberry Co.
and Subsidiaries**

Auditors' Report

1964	1963	1962	1961
575	574	567	564
\$336,281	\$319,344	\$312,511	\$291,237
\$ 2,894	\$ 3,856*	\$ 3,639	\$ 6,567
\$ 2,015	\$ 2,556*	\$ 1,929	\$ 3,486
\$ 0.85	\$ 1.53*	\$ 0.82	\$ 1.65
1,874,583	1,860,017	1,843,915	1,831,620
\$ 68,310	\$ 74,480	\$ 84,772	\$ 74,978
\$ 64,753	\$ 62,511	\$ 67,665	\$ 68,885
\$ 33.54	\$ 32.63	\$ 35.63	\$ 36.51
3.6	2.7	2.9	3.5

To the Board of Directors and Stockholders,

J. J. NEWBERRY CO.:

We have examined the consolidated balance sheet of J. J. NEWBERRY CO. and SUBSIDIARIES as of January 31, 1971, the related consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year ended January 31, 1970.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of J. J. Newberry Co. and Subsidiaries at January 31, 1971 and 1970, and the consolidated results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 24, 1971

Consolidated Statements of Source and Application of Funds

Years Ended January 31

**J. J. Newberry Co.
and Subsidiaries**

	<u>1971</u>	<u>1970</u>
Source:		
Net income	\$ 3,030,346	\$5,073,229
Depreciation and amortization	4,911,633	4,453,064
Deferred income taxes	710,000	1,210,000
Decrease (increase) in working capital	9,489,928	(7,294,485)
	<u>\$18,141,907</u>	<u>\$3,441,808</u>
Application:		
Net additions to property and equipment	\$12,526,202	\$6,376,612
Property and equipment of subsidiaries at respective dates of acquisition	569,552	617,569
Cash dividends:		
Common stock	1,960,238	1,964,198
Preferred stock	338,756	355,209
Net decrease (increase) in long-term debt and other long-term liabilities	1,461,389	(10,474,940)
Reduction in non-current reserve for extraordinary losses in connection with store closing program	573,000	633,000
Net decrease in capital stock	530,162	44,069
Increase in deferred charges and other assets	175,608	840,091
Net increase in excess of investment in subsidiaries over net assets acquired	7,000	3,086,000
	<u>\$18,141,907</u>	<u>\$3,441,808</u>

The accompanying notes are an integral part of the financial statements.

Officers

Chairman of the Board, W. C. Straus

President, D. D. Milius

Executive Vice-Presidents:

W. J. O'Brien — *Operations*

F. J. Porter — *Merchandising*

Senior Vice-President, J. J. Newberry, Jr.

Financial Vice-President, J. A. Heely

Vice-Presidents:

G. L. Kelly — *Britts Division*

H. D. Ellsworth — *Department Stores Division*

T. M. Williams — *Variety Stores Division*

W. H. Jones — *Food Services*

R. W. Conley — *Canadian Operations*

A. E. Baxter — *Personnel*

H. J. Meyer — *Corporate Operations*

H. D. Von Oesen — *Financial Planning*

Assistant Vice-President:

C. L. Prow — *Employee & Public Relations*

Treasurer, E. H. Schroeder

Secretary, M. G. Pallister

Controller, G. A. Sampson

Assistant Treasurer, C. W. Hall

Assistant Secretary, R. J. Harlow

Assistant Controller, W. R. Holloway

Directors

D. S. Campbell

J. D. Farrell

P. F. Leach

R. W. Meyer

D. D. Milius

L. D. Miltimore

F. S. Newberry

J. J. Newberry, Jr.

M. G. Pallister

L. A. Raphael

W. C. Straus

J. H. Taggart

T. L. Zimmerman

Executive Offices

245 Fifth Ave., New York, New York 10016

Transfer Agent

The Chase Manhattan Bank, N.A.

1 New York Plaza, New York, New York 10015

Registrar

Morgan Guaranty Trust Co. of New York

23 Wall St., New York, New York 10015

Auditors

Lybrand, Ross Bros. & Montgomery

2 Broadway, New York, N.Y. 10004



Newberrys 
IF IT'S QUALITY YOU'RE LOOKING FOR